

MONTHLY REPORT

Monthly Report

Our June monthly report is out now. See the global and Australian updates and trends.

+2.1%

ASX performance

+2.2%

US markets closed mixed in the month, with the Dow Jones down -0.1% and S&P500 up +2.2%, with inflation concerns continuing to weigh on sentiment.



- Long-dated US treasury yields were slightly mixed, with the 2-Yr yield higher at 0.25% and 10-Yr yield lower at 1.47%.
- European markets. European markets saw were stronger with the Stoxx Europe 600 Index up +1.4%, UK FTSE up +0.2% and German DAX up +0.7%, with sentiment buoyed by the news Covid-19 vaccines from Pfizer Inc and AstraZeneca Plc are highly effective (96% and 92%, respectively) after two doses at preventing hospitalization of those infected with the delta variant.
- Asian markets. Asian markets were mostly lower over the month, with the Nikkei down -0.2%, KOSPI up +2.9%, and the Shanghai Composite declining -0.7%.
- Commodities. Over the month, WTI oil price gained +11.2% to US\$73.47/bbl, with OPEC+ abandoning its meeting without a deal, tipping the cartel into crisis and leaving the oil market facing tight supplies and rising prices. Iron ore prices increased +5.0% to US\$210.98 per tonne, whilst spot gold declined -7.2% to US\$1,770 per ounce.

IN POLITICAL NEWS:

- Chinese and U.S. commerce ministers agreed to push forward trade and investment ties, and President Joe Biden revoked Trump-era bans on the Chinese-owned apps TikTok and WeChat, and instead will review software applications from foreign adversaries that could pose a risk to Americans' sensitive data.
- The U.S. and the EU agreed to extend a tariff truce for five years, parking a dispute over aircraft subsidies given to Airbus SE and Boeing Co that saw the allies impose duties on \$11.5 billion of each other's exports.
- President Joe Biden announced a bipartisan \$579 billion infrastructure deal.

IN ECONOMIC NEWS:

- Australian RBA decision. The RBA opted against extending its yield-target horizon beyond April 2024 and scaled back purchases of longer-dated bonds, while keeping borrowing costs unchanged at 0.1%, and announced once the current A\$5 billion a week quantitative easing program ends in September, it would shift to A\$4 billion a week with a review in mid-November.
- U.S. The Fed signalled it will begin dialling back the stimulus, disclosing that they expect two interest rate increases by the end of 2023, and marked up inflation forecasts through the end of 2023, with measure of price pressures raised to 3.4% in 2021 compared with previous projection of 2.4%, 2022 forecast raised to 2.1% from 2%, and 2023 estimate raised to 2.2% from 2.1%.
- U.S. hiring accelerated in June, with payrolls increasing by 850k, the most in 10 months bolstered by strong job gains in leisure and hospitality, while the unemployment rate edged up +10bps to 5.9% because more people voluntarily left their jobs and the number of job seekers rose. Consumer confidence soared in June to a fresh pandemic high, however, consumers also expected inflation to pick up in the coming year, rising +4.2% over the next year, the second highest in a decade, with prices over the longer term expected to increase +2.8%.
- China. PBOC reassured that China's economy is showing more stability and improvement even though both the domestic and overseas environments remain complex and grim, with the bank reiterating that the macro leverage ratio, or total debt as a proportion of gross domestic product, will be kept stable and vowing to match the expansion of money supply and aggregate financing in the economy with the nominal GDP growth rate. Manufacturing output continued to expand in June, with both input and output prices of manufacturers falling significantly, as the government clamps down on surging raw material costs.
- Australia. Consumer confidence fell -5.2% month-on-month in June, however, business conditions reset their record high for the second month in a row, and employment, profitability and trading sub-components all also reset last month's highs with trading conditions now at exceptional levels. Australia's manufacturing sector eased expansion in June, owing to the lockdown in the state of Victoria and supply constraints.
- Europe. ECB renewed its pledge to maintain faster emergency bond-buying to sustain the euro area and upgraded its growth outlook to 2021 GDP growth at 4.6% vs 4% previously, 2022 GDP growth at 4.7% vs 4.1% and 2023 GDP growth at 2.1%, however, stroked inflation fears by upgrading inflation estimates to 1.9% vs 1.5% in 2021, 1.5% in 2022 and 1.4% in 2023. Confidence in the euro-area economy improved to the highest level in more than two decades in June, driven by surging optimism in services, though industry, retail trade and construction also improved. Euro-area's private activity grew at the fastest pace in 15 years in June with average prices charged for goods and services in the euro area rising at by far the fastest pace since 2002.
- Japan. BOJ maintained its policy rate and kept its 10-year JGB yield target at about 0% and announced it will extend Covid-19 support program beyond September 2021 and launch new loan measure within 2021 including a new climate-based lending facility. Japan's manufacturing activity expanded for a fifth month in June while services continued to shrink amid measures to contain the coronavirus

ON STOCK SPECIFIC NEWS (WHICH CAUSED SIGNIFICANT INTRADAY MOVES DURING THE MONTH):

- AGL Energy Ltd (AGL) - slumped -10.0%, after announcing it aims to complete work to split off its coal-fired power plants into a separate unit within 12 months.
- Altium Ltd (ALU) - surged +39.0%, after receiving proposal from US giant Autodesk Inc for the acquisition of 100% of ALU shares.
- IDP Education Ltd (IEL) - surged +20.3%, after agreeing to buy the British Council's Indian IELTS operations for GBP130m on a debt free, cash free basis.
- Sydney Airport Ltd (SYD) - surged +33.9%, after receiving a A\$22.3bn takeover offer from a group including IFM Investors, valuing SYD at \$8.25 per share.

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